

Message Text

CONFIDENTIAL

PAGE 01 LONDON 07451 01 OF 03 161642Z

53

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 CEA-01 COME-00 EB-07 FRB-03 CIEP-01 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 SAJ-01 IO-10

AGR-05 /101 W

----- 058156

R 161624Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1189

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

AMCONSUL BELFAST

AMCONSUL LIVERPOOL

AMCONSUL EDINBURGH

C O N F I D E N T I A L SECTION 01 OF 03 LONDON 07451

E.O. 11652: GDS

TAGS: EGEN, PFOR, EEC, UK

SUBJECT: EC REFERENDUM -- MORE COMMENT ON THE CONSEQUENCES OF A YES OR NO VOTE

REF: (A) LONDON 4010, (B) LONDON 4477,

SUMMART: ALTHOUGH THERE IS A GENERAL EXPECTATION HERE

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 07451 01 OF 03 161642Z

THAT THE BRITISH PEOPLE WILL VOTE ON JUNE 5 TO STAY

IN THE EUROPEAN COMMUNITY, NO ONE IS PREDICTING THIS WITH CERTAINTY. OPINION COULD SHIFT IN THE LAST WEEKS OF THE CAMPAIGN, AND THE CABINET OFFICE IS QUIETLY DOING SOME CONTINGENCY PLANNING IN CASE THE VOTE IS "NO." THIS TELEGRAM DISCUSSES THE CONSEQUENCES OF A "YES" OR "NO" VOTE, ELABORATING ON OUR EARLIER ANALYSIS (REF A) ON THE BASIS OF RECENT CONVERSATIONS.

IF BRITAIN STAYS IN, WE DO NOT EXPECT ITS BEHAVIOR AS AN EC MEMBER TO CHANGE SIGNIFICANTLY. IT WILL NOT BEGIN SEEKING CLOSER ECONOMIC OR POLITICAL INTEGRATION, AND IT WILL CONTINUE TO QUESTION THE ESTABLISHED COMMUNITY POLICIES THAT IT WANTS CHANGED. THE BRITISH WILL LOOK OUT FOR THEIR OWN INTERESTS FIRST, BEFORE TRYING TO DEFINE AND DEFEND BROADER COMMUNITY INTERESTS. IN THE BALANCE OF MEMBER STATE ATTITUDES THEY WILL CONTINUE TO ADD WEIGHT TO THE SIDE OF THE LIBERAL TRADERS, AND THEY WILL CONTINUE TO BE AN ACCESSIBLE CHANNEL OF COMMUNICATION FOR THE US. HOWEVER, BRITAIN'S OWN DOMESTIC ECONOMIC PROBLEMS WILL PROBABLY LIMIT ITS ABILITY TO ASSUME A LEADING ROLE IN SHAPING EC POLICIES.

IF THE VOTE ON JUNE 5 IS "NO," THERE WILL BE A PROLONGED PERIOD OF CONFUSION IN EUROPE WHILE: A) THE EC ADAPTS ITS OWN POLICIES TO A COMMUNITY OF EIGHT (OR PERHAPS SEVEN OR SIX); B) THE UK AMENDS ITS OWN DOMESTIC LEGISLATION IN ORDER TO TERMINATE ITS EC OBLIGATIONS; AND C) ALTERNATIVE TRADING ARRANGEMENTS ARE WORKED OUT BETWEEN THE UK AND EC, AND WITH THIRD COUNTRIES. THE COMMUNITY'S ABILITY TO PLAY A FULL PART IN ONGOING INTERNATIONAL NEGOTIATIONS (E.G., THE MTN, DISCUSSIONS ON COMMODITIES) WOULD BE SERIOUSLY IMPAIRED DURING THIS PERIOD, WHICH COULD LAST AT LEAST UNTIL EARLY 1977 AND PERHAPS LONGER. OTHER, MORE BASIC ECONOMIC AND POLITICAL DISADVANTAGES OF BRITAIN'S ABSENCE FROM THE COMMUNITY WOULD EMERGE MORE GRADUALLY. END SUMMARY

1. OPINION POLLS AND THE PROGRESS OF THE PRO- AND ANTI-MARKET CAMPAIGNS HAVE CREATED A GENERAL EXPECTATION THAT THE JUNE 5 REFERENDUM WILL PRODUCE A VOTE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 07451 01 OF 03 161642Z

IN FAVOR OF CONTINUED EC MEMBERSHIP. NO ONE IS SURE, HOWEVER. OPINION ON EC MEMBERSHIP HAS SWUNG BACK AND FORTH WIDELY OVER THE YEARS, AND IT IS STILL CONCEIVABLE THAT THE MAJORITY NOW IN FAVOR OF STAYING IN COULD EVAPORATE IN THE LAST THREE WEEKS OF THE CAMPAIGN. ALTHOUGH GOVERNMENT OFFICIALS, MOST PRO-MARKET POLITICIANS, AND EVEN SOME ANTI-MARKET ONES EXPECT THAT THE VOTE WILL BE "YES", THE CABINET

OFFICE HAS QUIETLY BEGUN TO DO SOME CONTINGENCY PLANNING
IN CASE IT GOES THE OTHER WAY.

2. THIS MESSAGE DISCUSSES THE CONSEQUENCES OF A "YES"
OR "NO" VOTE, AND THE IMPLICATIONS OF EACH FOR THE
US. IT ELABORATES ON THE ANALYSIS CONTAINED IN
REFTEL A, IN THE LIGHT OF INFORMAL DISCUSSIONS WE HAVE
HAD WITH A VARIETY OF BRITISH OFFICIALS AND OTHER
OBSERVERS. WE ARE PRESUMING, FOR THE PURPOSE OF THIS
ASSESSMENT, THAT THE REFERENDUM RESULT WILL BE DECISIVE.
(OUR COMMENTS ON THE KIND OF DOMESTIC POLITICAL CRISIS
THAT COULD FOLLOW AN INDECISIVE RESULT WERE CONTAINED
IN REF B.)

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 07451 02 OF 03 161652Z

53

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 CEA-01 COME-00 EB-07 FRB-03 CIEP-01 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 IO-10 SAJ-01

AGR-05 /101 W

----- 058361

R 161624Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1190

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS
AMCONSUL BELFAST
AMCONSUL LIVERPOOL
AMCONSUL EDINBURGH

C O N F I D E N T I A L SECTION 02 OF 03 LONDON 07451

3. IF THE VOTERS DECIDE THAT BRITAIN SHOULD REMAIN
IN THE EC, WE DO NOT EXPECT ANY RADICAL CHANGES IN
THE UK'S BEHAVIOR AS AN EC MEMBER STATE. THE BRITISH
NEGOTIATING POSITION WITHIN THE COMMUNITY WILL BE
WEAKER THAN IT WAS DURING RENEGOTIATION, WHEN IT COULD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 07451 02 OF 03 161652Z

USE THE THREAT OF WITHDRAWAL AS LEVERAGE. ON THE OTHER
HAND, THE IRRITATION WITH BRITAIN WHICH RENEGOTIATION
HAS GENERATED WILL PRESUMABLY DIMINISH.

4. THE BRITISH WILL CONTINUE TO BE SKEPTICAL ABOUT
NEW COMMUNITY INITIATIVES TOWARD ECONOMIC OR POLITICAL
UNION. THEY WILL CONTINUE TO DEFEND THEIR OWN INTERESTS,
AND WILL NOT HESITATE TO QUESTION ESTABLISHED EC
POLICIES, FOR EXAMPLE, ASPECTS OF THE CAP OR COMMUNITY
PRICING POLICY FOR STEEL. THE SENSITIVITY TO "CONTROL"
FROM BRUSSELS OVER UK DOMESTIC POLICIES SHOULD GRAD-
UALLY DISAPPEAR ONCE THE REFERENDUM CAMPAIGN IS OVER
AND PEOPLE SEE MORE CLEARLY THAT THE COMMUNITY CAN,
IN FACT, ONLY EXERT CONTROL WITH THE CONSENT OF THE
MEMBER STATE BEING CONTROLLED.

5. THERE IS NO REASON FOR THE UK TO REVERT TO ITS
BEHAVIOR DURING THE FIRST YEAR OF MEMBERSHIP -- TO THE
INFERIORITY COMPLEX ABOUT THE FRENCH, OR THE COM-
PULSION TO PROVE BRITAIN'S CREDENTIALS AS A "GOOD
EUROPEAN." IN THE BALANCE OF MEMBER STATE ATTITUDES,
BRITAIN WILL CONTINUE TO ADD WEIGHT TO THE "OUTWARD-
LOOKING" SIDE, AND WILL CONTINUE TO BE AN ACCESSIBLE
AND FRIENDLY CHANNEL OF COMMUNICATION FOR THE UNITED
STATES. HOWEVER, ITS DOMESTIC ECONOMIC PROBLEMS
COULD LIMIT ITS ABILITY TO TAKE THE LEAD IN COMMUNITY
DECISION-MAKING.

6. IF THE VOTE ON JUNE 5 IS "NO", THE UK WOULD NOT
BE ABLE TO TERMINATE ITS MEMBERSHIP OVERNIGHT. A
NUMBER OF EC REGULATIONS, DIRECTIVES AND THIRD-COUNTRY
AGREEMENTS ARE BASED ON A COMMUNITY OF NINE. THESE
WOULD HAVE TO BE REVISED. BRITAIN WOULD CONTINUE TO

BE BOUND BY ITS COMMUNITY OBLIGATIONS UNTIL IT AMENDED ITS OWN DOMESTIC LEGISLATION. WHILE THESE VARIOUS ADJUSTMENTS WERE BEING MADE, BRITAIN WOULD BE HALF IN, AND HALF OUT OF THE COMMUNITY. THE OTHER MEMBER STATES WOULD PRESUMABLY ALLOW BRITISH REPRESENTATIVES INTO EC COUNCIL AND COREPER MEETINGS TO DISCUSS THE TECHNICALITIES OF WITHDRAWAL AND THE ADMINISTRATION OF BRITAIN'S CONTINUING COMMUNITY OBLIGATIONS, BUT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 07451 02 OF 03 161652Z

THEY WOULD NOT WANT THE BRITISH TO PARTICIPATE IN THE DISCUSSION OF OTHER ONGOING COMMUNITY BUSINESS OR OF NEW EC POLICIES.

7. DURING THIS INTERLUDE, THE REMAINING MEMBER STATES WOULD BEGIN PREPARING A NEGOTIATING MANDATE FOR AN ALTERNATIVE TRADE ARRANGEMENT BETWEEN BRITAIN AND THE COMMUNITY. THE UK WOULD PROBABLY SEEK A FREE TRADE AGREEMENT SIMILAR TO THE ONES BETWEEN THE COMMUNITY AND THE EFTA NON-APPLICANTS. THE BRITISH EXPECT THAT THE COMMUNITY WOULD INSIST ON INCLUDING THE RESTRICTIONS ON REGIONAL AND INDUSTRIAL POLICIES AND THE STRINGENT RULES OF ORIGIN THAT ARE IN THE OTHER NON-APPLICANT AGREEMENTS. THEY ALSO EXPECT THAT THE COMMUNITY WOULD MAKE ONLY PARTIAL TARIFF REDUCTIONS ON A NUMBER OF "SENSITIVE" PRODUCTS (FOR EXAMPLE, GLASS, COMMERCIAL VEHICLES, PROCESSED FOODSTUFFS), AND THAT IT WOULD ASK FOR SPECIAL CONCESSIONS ON AGRICULTURE.

8. GIVEN THE TIME THAT IT NORMALLY TAKES FOR THE COMMUNITY TO WORK OUT A MANDATE, BRITISH OFFICIALS DOUBT THAT NEGOTIATIONS COULD BEGIN MUCH BEFORE EARLY 1976. IT IS NOT CLEAR WHETHER BRITAIN WOULD BE, LEGALLY-SPEAKING, OUT OF THE COMMUNITY BY THEN, OR WHETHER IT WOULD CONTINUE TO BE IN A HALFWAY STATUS. IT WOULD BE A MIRACLE, THE BRITISH BELIEVE, IF THE FREE TRADE AGREEMENT WERE IN PLACE BY THE BEGINNING OF 1977. DURING THIS PERIOD BRITAIN WILL ALSO HAVE TO RENEGOTIATE THE TRADE ARRANGEMENTS THAT IT HAS MADE AS AN EC MEMBER STATE WITH OTHER COUNTRIES -- FOR EXAMPLE, THOSE WITH THE MEDITERRANEAN ASSOCIATES AND THE ACP COUNTRIES. ONE WAY TO DEAL WITH THE LOME CONVENTION WOULD BE FOR THE UK SIMPLY NOT TO RATIFY IT, AND THEN WORK OUT ITS OWN BILATERAL ARRANGEMENTS WITH THE COMMONWEALTH SIGNATORIES. THE REMAINING EC MEMBER STATES WOULD NOT WANT TO ASSUME THE FULL SHARE OF THE CONVENTION'S OBLIGATIONS (NOTABLY THOSE ON SUGAR AND

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 07451 03 OF 03 161652Z

53

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 CEA-01 COME-00 EB-07 FRB-03 CIEP-01 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 IO-10 SAJ-01

AGR-05 /101 W

----- 058414

R 161624Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1191

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

AMCONSUL BELFAST

AMCONSUL LIVERPOOL

AMCONSUL EDINBURGH

C O N F I D E N T I A L SECTION 03 OF 03 LONDON 07451

AND AID), AND SO THE COMMUNITY MIGHT ALSO DECIDE NOT TO RATIFY. AN ENTIRELY NEW EC-ACP WOULD THEN HAVE TO BE NEGOTIATED.

9. IT IS CLEAR, THEN, THAT IF THE UK DECIDED TO LEAVE, THE COMMUNITY WOULD BE IN CONFUSION FOR AN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 07451 03 OF 03 161652Z

EXTENDED PERIOD OF TIME -- PERHAPS FOR AS MUCH AS TWO YEARS. THIS WOULD SERIOUSLY AFFECT THE COMMUNITY'S ABILITY TO PLAY A FULL PART IN A NUMBER OF ONGOING INTERNATIONAL NEGOTIATIONS OF INTEREST TO THE US, FOR EXAMPLE, THE MTN, THE SEARCH FOR NEW SOLUTIONS TO COMMODITY PROBLEMS, OR THE FORMATION OF AN INTERNATIONAL GRAINS RESERVE SYSTEM.

10. THERE WOULD BE LESS CONFUSION IN THE AREA OF EC POLITICAL COOPERATION. BRITISH OFFICIALS EXPECT THAT THE UK WOULD CEASE PARTICIPATING IN THIS SIDE OF COMMUNITY ACTIVITY IMMEDIATELY. THE SAME RAPID ADJUSTMENT COULD BE MADE IN OTHER AREAS NOT DIRECTLY COVERED BY THE ROME TREATY, WHERE THE COMMUNITY MANAGES TO SOME EXTENT TO ARRIVE AT A COORDINATED POSITION BUT DOES NOT SPEAK WITH ONE VOICE (FOR EXAMPLE, THE UN, IMF, CSCE).

11. THE MORE FUNDAMENTAL ECONOMIC AND POLITICAL DISADVANTAGES TO THE US OF A BRITISH DECISION TO WITHDRAW WOULD EMERGE OVER THE LONGER RUN. THESE WERE DISCUSSED MORE FULLY IN REF A. TO SUMMARIZE: THE FREE TRADE LINK BETWEEN THE UK AND THE EC MIGHT PROVIDE US WITH SLIGHTLY BETTER ACCESS TO BRITISH AGRICULTURAL MARKETS, BUT THIS HAS TO BE WEIGHED AGAINST THE LOSS OF THE ADVANTAGES WE GET FROM BRITAIN'S PRESENCE IN THE EC. A "NO" VOTE IN THE REFERENDUM WOULD CAUSE A FURTHER DROP IN BUSINESS CONFIDENCE IN THE UK MAKING IT EVEN MORE DIFFICULT FOR BRITAIN TO OVERCOME ITS DEEP-ROOTED ECONOMIC DIFFICULTIES. AN ECONOMICALLY WEAK BRITAIN COULD BECOME A BURDEN ON THE INTERNATIONAL FINANCIAL COMMUNITY, AND PROLONGED ECONOMIC WEAKNESS COULD PRODUCE DOMESTIC POLITICAL PROBLEMS. FINALLY, A RENEWED DIVISION OF WESTERN EUROPE WOULD DIMINISH THE PROSPECT OF AN EFFECTIVE EUROPEAN CONTRIBUTION TO THE REVITALIZATION OF ATLANTIC PARTNERSHIP.

RICHARDSON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEMBERSHIP, REFERENDUMS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON07451
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750173-0041
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750545/aaaabots.tel
Line Count: 373
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 LONDON 4010, 75 LONDON 4477
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2003 by Izenbel0>; APPROVED <03 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC REFERENDUM -- MORE COMMENT ON THE CONSE- QUENCES OF A YES OR NO VOTE
TAGS: EGEN, PFOR, UK, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006